EX PARTE OR LATE FILED

DOW, LOHNES & ALBERTSON
ATTORNEYS AT LAW
1255 TWENTY-THIRD STREET
WASHINGTON, D. C. 20037-1194

LAURA H. PHILLIPS
DIRECT DIAL NO.
857-2824

TELEPHONE (202) 857-2500
FACSIMILE (202) 857-2900

March 30, 1995

RECEIVED
MAR 3 0 1995
FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

VIA MESSENGER
Mr. William F. Caton
Secretary
Federal Communications Commission
1919 M Street
Washington, D.C. 20554

Re: Ex Parte
CC Docket No. 87-266
CC Docket No. 94-1 (Further Notice of Proposed Rulemaking on Treatment of Video Dialtone)

Dear Mr. Caton:

Enclosed please find two copies of a letter from James O. Robbins, President and CEO, Cox Communications, Inc., to Honorable Reed E. Hundt, Chairman of the Federal Communications Commission delivered today to Chairman Hundt, Commissioner Quello, Commission Barrett, Commissioner Ness and Commissioner Chong. Please add this letter to the record in the above-referenced dockets.

Please contact the undersigned should you have any questions with regard to this filing.

Sincerely,

Laura Phillips

Laura H. Phillips

cc: Chairman Hundt
Commissioner Quello
Commissioner Barrett
Commissioner Ness
Commissioner Chong

No. of Copies rec'd 0+5
List A B C D E

James O. Robbins

COX COMMUNICATIONS

March 30, 1995

The Honorable Reed Hundt
Chairman
Federal Communications Commission
1919 M Street, NW
Washington, D.C. 20554

Dear Mr. Chairman,

Several weeks ago you received a letter from Ray Smith, the Chief Executive Officer of Bell Atlantic, that made the following suggestions with respect to the FCC rules on video dialtone: 1) remove the Commission's Sec. 214 application "roadblock" for construction permits; 2) streamline the video dialtone tariffing process by permitting telcos to file "informational" tariffs only; 3) until the onerous tariffing requirements are streamlined, eliminate the Part 69 waiver requirement and the pricing restraints contained in price cap baskets; and, 4) do not limit the amount of a VDT platform that a telco-affiliated programmer can use.

In other words, Mr. Smith is suggesting that the Commission should eliminate the entirety of its rules related to video dialtone and simply let the phone companies do whatever they want. This breathtaking proposal underscores that the Commission is probably wasting its time trying to perfect a video dialtone regulatory process that the phone companies have utterly rejected. If tariffs make no sense, if ensuring capacity for unaffiliated users is an onerous burden, if safeguards to protect against cross-subsidy from existing telco ratepayers are unacceptable, then why bother with the video dialtone concept? I might note that, with respect to the cross-subsidy issue, Cox asked the tariffing experts at Snavely, King and Associates, Inc., to estimate the magnitude of the potential for cross-subsidy in the Bell Atlantic service area. The financial effect of video dialtone on Bell Atlantic books at the mid-point of its five year business plan (assuming that all pending applications are approved and that it extends VDT to all households in its region) reveals that total costs will exceed revenues by $731 million for filed applications and by $2.6 billion for all households. That's one whale of a cross-subsidy even for a gigantic regional phone company! This forecast is extrapolated from the very tariff data filed by Bell Atlantic itself in its Dover, NJ application. Enclosed is the SK&A analysis from which this conclusion is reached.

I would like to suggest a simple, less costly and eminently reasonable response you might want to make to Bell Atlantic.

Cox Communications, Inc. 1400 Lake Hearn Drive Atlanta, Georgia 30319 ph 404 843 5811 fax 404 843 5804

Simply suspend video dialtone as a costly, totally unnecessary (and indeed, from Ray Smith's perspective, unloved) regime. Bell Atlantic has won the right, through several court cases, to be a full blown cable operator under Title VI of the Communications Act. In fact, it has just won another court victory which excuses it from having to get an incidental inter-LATA waiver to provide video services. In light of all of this, I'd simply say to Ray Smith, "Thanks for your letter trashing the FCC's regulatory process to implement VDT. You're right, it makes no sense and we hereby invite you to get on with your plans to offer video programming services under Title VI. Of course, even so, one problem still remains. Have you any ideas how the FCC might deal with potential cross subsidies of $2.6 billion?"

I would be delighted to discuss this matter in greater detail if it would be helpful to you or your staff.

Sincerely,

Enclosures

cc: Commissioner Quello
Commissioner Barrett
Commissioner Ness
Commissioner Chong

Report of Snavely, King & Associates, Inc.

On the Financial Effects of Bell Atlantic's Video Dialtone Applications

This report was prepared by Snavely, King & Associates ("SK&A") on behalf of Cox Enterprises, Inc. It describes the results of an extrapolation of Dover tariff filing data to other Bell Atlantic locations.

The Description and Justification supplied by Bell Atlantic in support of its Dover tariff filing presents an estimate of the financial effect of video dialtone at the midpoint of its 5 year business plan (i.e. - year 3).[1] Exhibit 1 to this report extends this analysis to all locations for which Bell Atlantic has filed Section 214 Applications and to all locations in the Bell Atlantic region.

The SK&A Initial Report on Bell Atlantic's Tariff F.C.C. No. 10 demonstrated that the direct costs of video dialtone at the Dover location would exceed revenues by $1.1 million in year 3.[2] The extension of this rate of loss to all locations for which applications have been filed results in a $366 million shortfall.[3]

---

[1] Transmittal No. 741, Workpaper 5-19.

[2] Petition to Reject or, in the Alternative, Suspend and Investigate Bell Atlantic's Proposed Video Dialtone Tariff, Adelphia Communications Corporation, Comcast Cable Communications, Inc., Cox Enterprises, Inc., Jones Intercable, Inc., February 21, 1995, Exhibit 1 ("SK&A Initial Report"), Exhibit D-2.

[3] Exhibit 1, Page 1, Line 7, Column e.

The further extension to the entire Bell Atlantic region results in a $1.3 billion shortfall.[4]

Similarly, the SK&A Initial Report demonstrated that total costs at the Dover location, inclusive of assignable overhead, would exceed revenues by $5.3 million in year 3.[5] The extension of this loss to all locations for which applications have been filed results in a shortfall of $731 million.[6] The further extension to the entire Bell Atlantic region results in a $2.6 billion shortfall.[7]

The specific sources and calculations for this analysis are detailed in Exhibit 1. The analysis assumes that the increase in investment observed between the Dover Section 214 Application and the Dover Tariff filing is repeated at other locations. Bell Atlantic states that the Section 214 Application investment represents material only costs, while the tariff figures include the costs of such equipment as appropriately engineered, furnished and installed.[8] The relationship of direct cost and total cost to investment for all locations is assumed to be the same as that presented in the Dover tariff filing.

---

[4]Id., Column f.

[5]SK&A Initial Report, Exhibit D-5.

[6]Exhibit 1, Page 1, Line 8, Column e.

[7]Id., Column f.

[8]Reply of Bell Atlantic, March 6, 1995, p. 24.

BELL ATLANTIC VIDEO DIALTONE

DOVER TARIFF EXTRAPOLATION DETAIL

YEAR 3

($000)

		WPC-6840 Dover (a)	WPC-6838 Florham Park (b)	WPC-6966 Five City (c)	WPC-6912 Washington (d)	All Applications Filed (e) = (a)+(b)+(c)+(d)	All Region Households (f)
1	**Homes Passed**	38,000	11,700	1,965,557	1,246,925	3,262,182	11,400,000
2	**Revenues**	$5,292	$742	$127,479	$70,313	203,826	$712,289
3	**Investment - 214**	$16,041	$5,342	$829,840	$569,269	1,420,492	$4,964,042
4	**Investment - Tariff**	$21,975	$7,318	$1,136,820	$779,857	1,945,970	$6,800,376
5	**Direct Cost**	$6,435	$2,143	$332,898	$228,368	569,844	$1,991,373
6	**Total Cost**	$10,562	$3,516	$546,120	$374,637	934,834	$3,266,866
7	**Revenue - Direct Cost**	($1,143)	($1,401)	($205,419)	($158,055)	(366,018)	($1,279,084)
8	**Revenue - Total Cost**	($5,270)	($2,774)	($418,641)	($304,324)	(731,008)	($2,554,577)

SOURCES:

Line 1, Col. a:	Transmittal No. 741, p. 1 - 8
Line 1, Col. b:	Bell Atlantic 3/10/95 Letter, p. 8
Line 1, Col. c:	Page 2
Line 1, Col. d:	Bell Atlantic 12/16/95 Ex Parte, Exhibit 2
Line 1, Col. f:	F.C.C., Statistics of Common Carriers, Table 2.10, Residential Access Lines x .95
Line 2, Col. a:	Adelphia, et al. 2/21/95 Petition, Exhibit D-1
Line 2, Col. b:	Bell Atlantic 3/10/95 Letter, Exhibit 4, p. 1
Line 2, Col. c:	Page 2
Line 2, Cols. d:	Bell Atlantic 12/16/95 Ex Parte, Exhibit 1
Line 2, Col. f:	Line 1/Col.(e) Line 1 x Col. (e)
Line 3, Col. a:	Bell Atlantic 9/2/93 Amendment, Exhibit 3
Line 3, Col. b:	Bell Atlantic 3/10/95 Letter, Exhibit 4, p. 2
Line 3, Col. c:	Page 2
Line 3, Cols. d:	Bell Atlantic 12/16/95 Ex Parte, Exhibit 3
Line 3, Col. f:	Line 1/Col.(e) Line 1 x Col. (e)
Line 4, Col. a:	Page 3 Line 21 and Page 4 Line 7
Line 4, Cols. b - d:	Col. (a) Line 4/Line 3 x Line 3
Line 4, Col. k:	Line 1/Col.(e) Line 1 x Col. (e)
Line 5, Col. a:	Adelphia, et al. 2/21/95 Petition, Exhibit D-2
Line 5, Cols. b - d:	Col. (a) Line 5/Line 4 x Line 4
Line 5, Col. f:	Line 1/Col.(e) Line 1 x Col. (e)
Line 6, Col. a:	Adelphia, et al. 2/21/95 Petition, Exhibit D-5
Line 6, Cols. b - d:	Line 5 x 1.6405 (Factor from Bell Atlantic Dover Tariff, Workpaper 5-18)
Line 6, Col. f:	Line 1/Col.(e) Line 1 x Col. (e)
Line 7, Cols. a - d:	Line 2 - Line 5
Line 7, Col. f:	Line 1/Col.(e) Line 1 x Col. (e)
Line 8, Cols. a - d:	Line 2 - Line 6
Line 8, Col. f:	Line 1/Col.(e) Line 1 x Col. (e)

BELL ATLANTIC VIDEO DIALTONE

DOVER TARIFF EXTRAPOLATION DETAIL

YEAR 3

($000)

		WPC-6966 (Five City)					
		Baltimore (a)	Northern NJ (b)	Tidewater (c)	Philadelphia (d)	Pittsburgh (e)	Total (f)
1	Homes Passed	303,648	512,286	169,303	708,378	271,942	1,965,557
2	Revenues	$22,415	$31,070	$10,241	$44,974	$18,779	$127,479
3	Investment - 214	$128,213	$201,556	$68,466	$314,981	$116,624	$829,840
4	Investment - Tariff	$175,642	$276,117	$93,793	$431,501	$159,766	$1,136,820
5	Direct Cost	$51,434	$80,856	$27,466	$126,358	$46,785	$332,898
6	Total Cost	$84,377	$132,644	$45,058	$207,290	$76,751	$546,120
7	Revenue - Direct Cost	($29,019)	($49,786)	($17,225)	($81,384)	($28,006)	($205,419)
8	Revenue - Total Cost	($61,962)	($101,574)	($34,817)	($162,316)	($57,972)	($418,641)

SOURCES:

Line 1: Bell Atlantic 12/16/95 Ex Parte, Exhibit 2

Line 2: Bell Atlantic 12/16/95 Ex Parte, Exhibit 1

Line 3: Bell Atlantic 12/16/95 Ex Parte, Exhibit 3

Line 4: Page 1 Col. (a) Line 4/Line 3 x Line 3

Line 5: Page 1 Col. (a) Line 5/Line 4 x Line 4

Line 6 Line 5 x 1.6405 (Factor from Bell Atlantic Dover Tariff, Workpaper 5-18)

Line 7: Line 2 - Line 5

Line 8: Line 2 - Line 6

BROADCAST INVESTMENT

	DESCRIPTION	ACCOUNT NO.	TOTAL INVESTMENT PER POT SUB (a)	TOTAL INVESTMENT (b)
	INCREMENTAL INVESTMENTS			
1	VIDEO DISTRIBUTION OFFICE EQUIP	2230	$40.11	$1,524,180.00
2	VDO TO VSO FACILITIES	2410	$0.40	$15,200.00
3	VSO CROSS-CONNECT EQUIPMENT	2230	$0.85	$32,300.00
4	VSO TO HDT FACILITIES	2410	$13.00	$494,000.00
5	VIDEO ADMINISTRATION MODULE	2230	$19.78	$751,640.00
6	OUTSIDE PLANT - VIDEO ADMIN	2410	$0.40	$15,200.00
7	LAND - VDT COMPONENTS	2111	$0.61	$23,180.00
8	BUILDING - VDT COMPONENTS	2121	$7.99	$303,620.00
9	POWER & COM. EQUIP. - VDT COMP.	2232	$2.47	$93,860.00
10	TOTAL			$3,253,180.00
	SHARED PLANT INVESTMENTS			
11	HOST DIGITAL TERMINAL EQUIPMENT	2230	$115.04	$4,371,520.00
12	QUAD CURRENT LIMITER EQUIPMENT	2230	$8.59	$326,420.00
13	HDT TO ONU FACILITIES	2410	$70.45	$2,677,100.00
14	OPTICAL NETWORK UNIT EQUIPMENT	2230	$115.96	$4,406,480.00
15	DROP FACILITIES	2410	$122.03	$4,637,140.00
16	NETWORK INTERFACE DEVICE	2410	$35.14	$1,335,320.00
17	LAND-INTEGRATED COMP.	2111	$0.11	$4,180.00
18	BUILDINGS - INTEGRATED COMP.	2121	$1.44	$54,720.00
19	POWER & COM. EQUIP. - INTG COMP.	2232	$0.66	$25,080.00
20	TOTAL			$17,837,960.00
21	GRAND TOTAL			$21,091,140.00
	INVESTMENT BY ACCOUNT			
22	LAND	2111		$27,360.00
23	BUILDINGS	2121		$358,340.00
24	CENTRAL OFFICE - TRANSMISSION	2230		$11,412,540.00
25	CIRCUIT EQUIPMENT	2232		$118,940.00
26	CABLE AND WIRE FACILITIES	2410		$9,173,960.00

Sources:

Col. a, L. 1-9:	Bell Atlantic Workpaper 5-3
Col. a., L. 10-18:	Bell Atlantic Workpaper 5-4
Col. b:	Col. a x 38,000

MISCELLANEOUS INVESTMENT

		UNIT INVESTMENT (a)	DEMAND (b)	TOTAL INVESTMENT (c)
	ACCESS LINK - DIRECT ACCESS CONNECTION			
1	TERMINATION	$32,240.17	10	$322,401.70
2	FIXED	$16,914.33	10	$169,143.30
3	PER MILE	$435.17	100	$43,517.00
	ACCESS LINK - SERVING WIRE CENTER CONNECTION			
4	FIXED	$33,517.08	1	$33,517.08
5	PER-MILE	$435.17	10	$4,351.70
	RECURRING			
6	MESSAGING PORT	$10,362.28	30	$310,868.40
7	TOTAL			$883,799.18

Sources:

Col. a, L. 1, 2 and 3:	Bell Atlantic Workpaper 5-1, L. 1
Col. a, L., 4 and 5:	Bell Atlantic Workpaper 5-2, L. 1
Col. a, L. 6:	Bell Atlantic Workpaper 5-12, L. 1
Col. b:	Bell Atlantic Workpaper 5-19, Annual Demand/12
Col. c:	Col. a x Col. b